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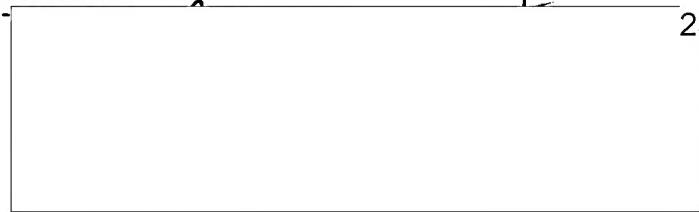
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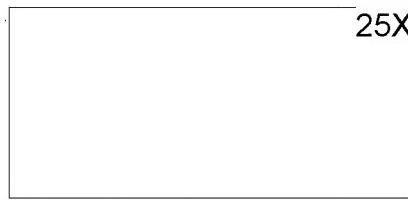
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 RUEHTH/AMCONSUL THESSALONIKI 5326  
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 C O N F I D E N T I A L ATHENS 00679



C O R R E C T E D C O P Y (TEXT: PARA 3 LAST LINE WAS STRAGGLER)

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ORIGINALLY PROCESSED CDS# 3124125  
 E.O. 12356: DECL: OADR  
 TAGS: MASS, MARR, GR, TU, US  
 SUBJECT: GREEK DESIRE FOR MILITARY ASSISTANCE ON  
 - "MOST FAVORABLE TERMS"



REF: (A) STATE 9697 (121837Z JAN 84), (B) ATHENS  
 - 350 (101450Z JAN 84)

1. (C-ENTIRE TEXT)

2. AMBASSADOR PAPOULIAS' JANUARY 10 PLEA FOR FMS ON THE BEST POSSIBLE TERMS (REF A) FELL FAR SHORT OF THE REMARK MADE BY DEPUTY FOREIGN MINISTER KAPSIS THE FOLLOWING DAY TO CODEL ADDABBO (REF B). KAPSIS, WHO IS GIVEN TO HYPERBOLE, WAS LEFT IN NO DOUBT DURING THE DECA NEGOTIATIONS THAT MAP IS NOT IN THE CARDS FOR GREECE AND THAT NEITHER THE EXECUTIVE BRANCH NOR CONGRESS LOOKS ON BALANCE IN THE AEGEAN AS A QUALITATIVE RPT QUALITATIVE MEASURE FOR PURPOSES OF DETERMINING MILITARY AID PROGRAMS FOR GREECE AND TURKEY.

3. WE SUSPECT THIS LATEST GREEK THRUST WAS GENERATED BOTH BY INCREASING CONCERN OVER THE COUNTRY'S STRAITENED ECONOMIC CIRCUMSTANCES AND BY RECENT PRESS REPORTS ABOUT A SHIFT IN AMERICAN MILITARY ASSISTANCE THINKING THAT WOULD DRO-GRESSIVELY REPLACE FMS WITH GRANT AID IN PART TO RELIEVE RECIPIENTS OF BURDENOME REPAYMENT OBLIGATIONS.

4. AS WE SEE IT, THE U.S. SIDE LETTER OF SEPTEMBER 8 THAT ACCOMPANIED THE DECA, IN STATING THE USG INTENTION "TO MAKE AVAILABLE SUCH FINANCING ON TERMS PARTICULARLY FAVORABLE TO GREECE," WAS SIMPLY UNDER-TAKING TO OFFER THE SAME TERMS AS WE HAVE IN THE PAST, I.E., TEN-YEAR GRACE PERIOD AND TWENTY-YEAR REPAYMENT PERIOD AT THE MOST FAVORABLE PREVAILING INTEREST RATE. (WE UNDERSTAND THIS TO BE THE BEST OFFERED TO ANY OF OUR FMS RECIPIENTS.) THE TERMS "SUCH FINANCING" IS OF COURSE A CLEAR

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REFERENCE TO FMS AND CANNOT BE INTERPRETED BY THE  
GOG OTHERWISE. IF CONGRESS WERE IN FACT TO  
APPROVE CONCESSIONARY TERMS FOR FMS, HOWEVER, WE  
WOULD EXPECT THE GOG TO ARGUE STRONGLY THAT GREECE  
DESERVES TO BENEFIT AS MUCH AS ANY OTHER RECIPIENT.

STEARNS

END OF MESSAGE

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